

Message Text

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64

ACTION EB-07

INFO OCT-01 EUR-12 EA-06 ISO-00 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01 /093 W

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R 031540Z JUL 75

FM AMEMBASSY ROME

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INFO AMEMBASSY BERN

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AMEMBASSY BRUSSELS

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AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMCONSUL MILAN

AMCONSUL NAPLES

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY TOKYO

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PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

1. SUMMARY. BALANCE OF PAYMENTS FOR FIRST HALF OF JUNE REGISTERED SURPLUS OF \$451.8 MILLION. 1975 BALANCE OF PAYMENTS THROUGH FIRST FIVE AND ONE-HALF MONTHS SHOWED \$24.6 MILLION CUMULATIVE DEFICIT. FOR SAME PERIOD ADJUSTED BALANCE OF PAYMENTS (EXCLUDING EUROMARKET LOAN REPAYMENTS) RECORDED CUMULATIVE SURPLUS OF \$395.4 MILLION. ALTHOUGH LACKING DATA ON
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COMMERCIAL BANK POSITIONS, 1975 FIRST HALF ADJUSTED BALANCE

OF PAYMENTS MIGHT HAVE BEEN IN APPROXIMATE BALANCE. NET BOI MARKET INTERVENTION DURING JUNE WAS PLUS \$12 MILLION. END SUMMARY.

2. MONETARY MOVEMENTS DATA FOR FIRST HALF JUNE RECORDED SURPLUS OF \$451.8 MILLION. CHANGES IN BOI RESERVES DURING PERIOD WERE INCREASE IN CONVERTIBLE CURRENCY HOLDINGS OF \$263.2 MILLION, INCREASE IN SHORT-TERM LIABILITIES BY \$26.9 MILLION, DECREASE IN MEDIUM AND LONG-TERM LIABILITIES BY \$81.0 MILLION, INCREASE IN SDR HOLDINGS BY \$0.3 MILLION. COMMERCIAL BANKS' NET FOREIGN DEBT FELL BY \$134.2 MILLION.

3. EXCHANGE MARKET INTERVENTION DURING FIRST HALF OF JUNE RESULTED IN NET GAIN OF \$227.6 MILLION. ERCOLANI, HEAD OF BOI FOREIGN EXCHANGE OPERATIONS, SAID THAT NET MARKET INTERVENTION FOR ENTIRE MONTH OF JUNE WAS APPROXIMATELY PLUS \$12.0 MILLION. THUS, SECOND HALF MONTH NET MARKET INTERVENTION RESULTED IN DOLLAR SALES OF APPROXIMATELY \$216 MILLION. ERCOLANI SAID THAT NO DATA ON COMMERCIAL BANKS' POSITIONS WAS AVAILABLE FOR SECOND HALF OF JUNE. THIS COULD BE IMPORTANT SINCE LIMIT ON NET FOREIGN DEBT OF BANKS WAS REMOVED AT MID-JUNE. IN ANY CASE, ERCOLANI BELIEVED THAT ADJUSTED BALANCE OF PAYMENTS FOR ENTIRE FIRST HALF MUST HAVE BEEN IN APPROXIMATE BALANCE (I.E., EXCLUDING COMPENSATORY EUROMARKET LOAN REPAYMENTS OF \$420 MILLION FOR PERIOD).

4. RECORDED BALANCE OF PAYMENTS CUMULATIVE DEFICIT FOR FIRST FIVE AND ONE HALF MONTHS OF 1975 OF \$24.6 MILLION WAS FINANCED BY INCREASE IN BOI FOREIGN EXCHANGE ASSETS OF \$67.0 MILLION, DECREASE IN SDR HOLDINGS OF \$47.6 MILLION, DECREASE IN BOI SHORT-TERM LIABILITIES OF \$188.4 MILLION, AND INCREASE IN NET SHORT-TERM BORROWINGS OF COMMERCIAL BANKS OF \$194.7 MILLION.

5. ON JULY 2 FOLLOWING FINANCIAL RATES PREVAILED; LIRA SPOT EXCHANGE RATE WAS 635.175 LIRE PER DOLLAR, THREE-MONTH FORWARD RATE WAS 642.675 LIRE PER DOLLAR, WEIGHTED AVERAGE DEVALUATION OF LIRA, ACCORDING TO BOI INDEX, WAS 20.77 PERCENT COMPARED TO FEBRUARY 9, 1973, BASE PERIOD, BLACK MARKET RATE IN MILAN WAS 646 LIRE PER DOLLAR, THREE-MONTH EUROLIRA INTEREST RATE WAS 11.75 PERCENT, LIRA INTERBANK FORTY-EIGHT HOUR RATE WAS LIMITED OFFICIAL USE

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8.9375 PERCENT AND LIRA INTERBANK THREE-MONTH RATE WAS 9.5625 PERCENT. VOLPE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN EXCHANGE, BALANCE OF PAYMENTS, FINANCIAL DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 03 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ROME09629
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750231-1010
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750787/aaaadaah.tel
Line Count: 109
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 18 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 APR 2003 by SmithRJ>; APPROVED <22 SEP 2003 by izenbei0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ITALIAN EXCHANGE MARKET DEVELOPMENTS
TAGS: EFIN, IT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006